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Revision of the UNDP financial regulations and rules

Summary

In the present document, and pursuant to current financial regulation 1.02, the Administrator submits proposed amendments to the UNDP financial regulations for the approval of the Executive Board. Furthermore, the Administrator, pursuant to the current financial regulation 2.02, circulates to the Executive Board for information amendments to the financial rules. The changes in the financial regulations and rules are being effected as a result of: (a) the upcoming adoption of the International Public Sector Accounting Standards (IPSAS) on 1 January 2012; (b) new cost classifications under the integrated budget approved by the Executive Board in its decision DP/2010/32. Other changes proposed are intended to reflect current organizational structures and working methods, and to enhance the consistency and clarity of terminology.

UNDP has submitted this document and its annexes to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) for review. The report of the ACABQ is contained in document DP/2011/37.

Elements of a decision

The Executive Board may wish to approve the proposed amended financial regulations herein submitted and take note of the amended financial rules.

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I. Introduction

1. This document sets out the rationale and the process followed in revising the UNDP financial regulations and rules. Revisions to the financial regulations and rules are necessary at this point in time in order to make them compliant with upcoming adoption by UNDP of IPSAS and the introduction of the new cost classifications as required for the integrated budget.

2. The Administrator seeks the approval of the Executive Board of the proposed revisions to the financial regulations, and further requests the Executive Board to take note of the amended financial rules circulated herein.

3. UNDP has submitted this document and its annexes to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) for review. At the time of submission of this document the ACABQ had not yet produced its report. Once the report is finalized, if changes are required, UNDP will communicate these changes to the Executive Board through a corrigendum. In addition the United Nations Board of Auditors, the UNDP Audit Advisory Committee, the United Nations Office of Legal Affairs and the UNDP Office of Audit and Investigations have also reviewed the revised financial regulations and rules, and, where applicable, their comments have been incorporated.

II. Purpose of the revision

4. The financial regulations and rules govern the broad financial management of UNDP and the funds administered by UNDP, including the budgeting and accounting of resources. In order to reflect the adoption of IPSAS, in accordance with General Assembly resolution 60/283 of July 2006 and the Executive Board decision 2007/10, and the revised cost classifications of the *Joint report of UNDP, UNFPA and UNICEF on the road map to an integrated budget: cost classification and results-based budgeting*, approved by the Executive Board in its decision DP/2010/32, changes are now proposed to reflect the new accounting standards and terminology.

5. The changes proposed maintain the existing character and nature of the financial regulations and rules that govern financial management. They are used not only by those who are engaged in the area of financial management, but also by those engaged in areas of programmatic management of UNDP, who for the large part are not accounting professionals. The revised financial regulations and rules shall be operationalized by UNDP policies and procedures.

IPSAS

6. The UNDP accounting policy is based on the United Nations System Accounting Standards (UNSAS), which is based on a modified accrual method of accounting. Beginning 1 January 2012, UNDP will implement IPSAS, which is based on a full accrual method. IPSAS will result in a change in accounting policy and in the way transactions are recorded. UNDP will apply all IPSAS standards applicable to UNDP and the impact of these standards have been incorporated in the proposed financial regulations and rules.

7. The following highlights some of the most significant changes:

(a) Under UNSAS the following principles and terminology are used:

- Income – represents cash received in UNDP bank accounts.
- Expenditure – represents total charges incurred whether paid or unpaid, namely, the sum of disbursements and unliquidated obligations.
- Non-expendable equipment – represents assets purchased and expensed in the financial statements.

(b) Under IPSAS the following principles and terminology will be used:

- Revenue – represents funds received and funds to be received.
- Expenses – represents disbursements and accruals for goods and services received, and the use or impairment of assets, dependent on the implementation arrangement and in accordance with UNDP administrative instructions issued by the Comptroller for a financial period. Expenses also include all costs related to employee benefits.
- Property, plant and equipment - represents tangible assets held for use in the activities of UNDP or for administrative purposes and expected to be used during more than one financial period.

New cost classifications

8. The new cost classification has resulted in new definitions and terminology to be reflected in the financial regulations and rules.

Other changes

9. Other changes were made to reflect current organizational structures, working methods and to enhance consistency and clarity of terminology. The UNCDF annex to UNDP financial regulations and rules has been updated to reflect IPSAS and the new cost classification changes. It has also been updated to align it with current UNDP financial regulations and rules. Numbering changes have also been made to reflect the amendments.

III. Steps followed for the revision

10. A joint process was undertaken by the United Nations Secretariat, UNDP, UNFPA and the United Nations Children's Fund (UNICEF) to achieve a level of harmonization on principle changes as a result of IPSAS and the new cost classifications. Although IPSAS affects all four organizations, the new cost classifications affect only UNDP, UNFPA and UNICEF.

IV. Overview of proposed revisions

11. The proposed amendments to the financial regulations and rules are presented in annex 1, annex 2 and annex 3 of this document. Annex 1 provides a reasoning for and categorization of all changes proposed. In this annex, the reason for each change is in a separate category. The corresponding financial regulations and rules that are to be amended are then listed in that category. Annex 2 includes a table which contains the original financial regulations and rules with the amendment being reflected in track changes so that the manner in which the regulation or rule has

been amended is readily identifiable. Annex 3 includes the changes to the UNCDF annex to UNDP financial regulations and rules.

V. Implementation of the revised financial regulations and rules

12. Should the Executive Board approve the proposed amended financial regulations and further take note of the amended financial rules, the Administrator will subsequently issue the proposed revised financial regulations and rules in accordance with regulation 2.02. This issuance must occur prior to 1 January 2012, to facilitate the upcoming adoption of IPSAS.

Annex 1. Category and reasons for the proposed amendments and the corresponding changes to the relevant financial regulations and rules

Summary of categories and reasons for amendment

A. IPSAS General

B. Revenue

C. Expense

D. Property, plant and equipment (PPE)

E. Incorporation of new cost classifications

F. Revision of the UNCDF annex

G. New definitions

H. Other amendments

I. Numbering changes

A. IPSAS General

Regulations: 1.03; 2.03; 4.01; 13.10; 14.02; 14.04; 16.06; 20.03; 26.01; 26.05; 26.08; 27.02
Rules: 114.01; 114.04; 126.14

1. UNDP accounting policy is based on UNSAS, which is based on a modified accrual method of accounting. Beginning 1 January 2012, UNDP will implement IPSAS, which is based on a full accrual method. Under UNSAS financial statements are issued biennially. Under IPSAS, financial statements will be issued annually.

2. In the current financial regulations and rules, the use of the word "funds" has different meanings depending on the context. It means either "resources" or "cash". The term "funds" has also been used to reflect short-term liquidity. Where the term "funds" has not been used in the latter context, it has been replaced with the term "resources".

3. Under IPSAS, it is proposed that the following terms be used in the financial regulations and rules:

- Financial period: The financial period under UNSAS referred to the two-year period for the financial statements and the budget period. The financial period under IPSAS shall consist of a single calendar year and shall also represent the period for which the financial statements are prepared.
- Budget period: The budget period under UNSAS referred to the "biennium". While the budget period will continue to be prepared on a two-year basis, it is proposed that the term "biennium" no longer be used in order to avoid any confusion between the previous financial statements which were also prepared on a biennium basis. The term "budget period" shall consist of two consecutive calendar years, the first of which shall be an even year. The

budget period may change based on future proposals and decisions of the Executive Board in the context of implementation of the integrated budget.

B. Revenue

Regulations: 6.05; 9.03; 9.04; 13.02; 13.07; 26.04; 27.02 Article 9: title change Rules: 115.01; 121.01 126.04; 126.05; 126.06; 126.07; 126.09; 126.10; 126.17; 126.18; 126.20; 126.21;

4. Under UNSAS, the term "income" represents cash received. Under the IPSAS-based accounting policies "revenue" refers to "funds received" and "funds to be received".

C. Expense

Regulations: 3.01; 9.04; 11.05; 13.02; 13.07; 14.01; 14.02; 14.03; 18.01; 18.02; 18.05; 18.06; 20.01; 20.02; 27.01; 27.02 rules: 107.02; 111.01; 114.02; 114.05; 115.01; 116.03; 118.01; 118.02; 118.07; 118.08; 120.02; 120.03; 120.04; 122.02; 126.06; 126.09; 126.10; 126.11; 126.12; 126.14; 126.19

5. Under UNSAS, the term "expenditure" represents the total charges incurred whether paid or unpaid, namely, the sum of disbursements and unliquidated obligations. Under IPSAS, the term "expense" represents the disbursements and accruals for goods and services received the use or impairment of assets, dependent on the programme implementation arrangement and in accordance with UNDP administrative instructions issued by the Comptroller for a specific financial period.

6. "Obligations" and "unliquidated obligations", used under UNSAS, are now included under the term "commitment" under IPSAS.

D. Property, plant and equipment (PPE)

Regulations: 24.01; 24.02; 26.08 (revised write-off regulation); 27.02 Article 24: Title change rules: 124.01; 124.02; 124.03; 124.04; 124.05; 124.06; 126.17;

7. Under UNSAS, "non-expendable equipment" refers to all physical assets. These were expensed under UNSAS. Under IPSAS, physical assets are referred to as "property, plant and equipment" and are capitalized and depreciated in accordance with the IPSAS Policy on Property, Plant and Equipment.

E. Incorporation of new cost classifications

Regulations: 2.04; 9.01; 9.04; 10.03; 13.01; 13.02; 13.03; 13.04; 13.05; 13.06; 13.07; 13.08; 13.09; 13.10; 14.01; 14.02; 14.03; 14.04; 20.01; 27.02
Article 13; 14: title change
Rules: 109.01; 113.01; 113.02; 113.03; 113.04; 114.01; 114.03; 126.05; 126.09; 126.14;

8. Amendment to existing definitions and new definitions are proposed in order to reflect the Executive Board's approval of the new cost classification terms in its decision DP/2010/32. The term "biennial support budget" is also to be replaced with the term "institutional budget" as the term "biennium" as set out in paragraph A (3) has been dropped.

F. Revision of the UNCDF annex

9. The UNCDF annex to the UNDP financial regulations and rules has been updated to reflect changes related to IPSAS and new cost classifications and is included as annex 3 to this document. It has also been updated to align it with current UNDP financial regulations and rules. Numbering changes have also been made to reflect the amendments.

G. New definitions

10. The definitions are updated in regulation 27.02 to reflect IPSAS-compliant definitions and the definitions of the new cost classifications. The new definitions facilitate a better understanding of the changes relating to IPSAS and the new cost classifications proposed in the financial regulations and rules.

H. Other amendments

11. Other proposed amendments to the financial regulations and rules are as follows:
   (a) Regulation 1.05 – removal of reference to United Nations Development Fund for Women to reflect the establishment of UN-Women, which is now an independent United Nations organization;
   (b) Rule 103.01 – change in the name of the 'Bureau for Resources and Strategic Partnerships' to the "Partnerships Bureau";
   (c) Article 4, regulations 4.01, 4.02 and 4.03; rules 103.02 and rule 116.04 – change in the title "External Audit" to "Audit" and amendment of regulations and rules relating to internal audit;
   (d) Regulation 4.01 – the reference to article VII of the United Nations financial regulations corrected;
   (e) Regulation 5.09 and rule 105.01 – regulations relating to certain reporting requirements which are no longer applicable have been deleted as UNDP will follow the reporting requirements of IPSAS; amendment to harmonize the UNDP approach with that of UNICEF and UNFPA;
   (f) Regulation 6.05 – correction of the name of the Executive Board to include United Nations Office of Project Services;
   (g) Regulation 10.03 – editorial correction of the regulation;
   (h) Rule 124.02 and rule 124.03 – the term 'Property Survey Board' is no longer applicable and is to be replaced by "Review Committees" to capture all

relevant review committees of UNDP relating to procurement and asset acquisition and disposals;

(i) Regulation 25.03 – inclusion of an additional provision on investment of funds to provide flexibility to respond to United Nations Board of Auditors recommendation regarding investment of funds set aside for After Service Health Insurance liabilities;

(j) Rule 125.06(c) – new rule included based on recommendation of Nemeth Report on the Democratic People's Republic of Korea to provide sufficient comprehensive guidance in dealing with country office payments in local and foreign currencies;

(k) Rule 125.09 – inclusion of an exception to the rule on petty cash to facilitate business-process simplification and to address challenges experienced in cash management, particularly in projects directly implemented by UNDP;

(l) Rule 126.07 – amendment to harmonize the UNDP approach relating to the refund of interest to donors with the approaches of UNICEF and UNFPA;

(m) Rule 126.08 – removal of accounting type rules which are in the nature of policy and should therefore be placed in UNDP policies and procedures;

(n) Rule 126.20 – deleted as management service agreements now form part of UNDP revenue in accordance with IPSAS policy;

(o) Regulation 26.06 and rules 126.13 and 126.16 – the write-off regulation and rules which were previously regulation 26.06 and rules 126.13 and 126.16 have been consolidated into one new regulation 26.08 and rule 126.18.

I. Numbering changes

12. Due to the changes reflected above, the numbering of the following regulations and rules will change:

(a) Regulation 4.01 to regulation 4.04
(b) Regulation 5.10 to regulation 5.09
(c) Regulation 5.11 to regulation 5.10
(d) Rule 105.02 to rule 105.01
(e) Regulation 26.07 to regulation 26.06
(f) Regulation 26.08 to regulation 26.07
(g) Rule 126.09 to rule 126.08
(h) Rule 126.10 to regulation 126.09
(i) Rule 126.11 to rule 126.10
(j) Rule 126.12 to rule 126.11
(k) Rule 126.14 to rule 126.12
(l) Rule 126.15 to rule 126.13
(m) Rule 126.17 to rule 126.14
(n) Rule 126.18 to rule 126.15
(o) Rule 126.19 to rule 126.16
(p) Rule 126.21 to rule 126.17

Annex 2. Proposed revised UNDP financial regulations and rules with reason for changes

Reference	Proposed change	Reason for change
	Chapter A: Applicability	
	Article 1: Applicability	
Regulation 1.03:	These regulations shall become effective on 1 January 2012.	IPSAS General
Regulation 1.05:	(a) Unless otherwise specified in (b) below, the UNDP financial regulations and rules shall apply to all resources administered by the United Nations Capital Development Fund, by the United Nations Revolving Fund for Natural Resources Exploration, by the United Nations Fund for Science and Technology for Development and by the United Nations Volunteers Programme.	IPSAS Other Removed reference to UN-Women
	Chapter B: Accountability	
	Article 2: Accountability	
Regulation 2.03:	There shall be established UNDP accounts in which all resources administered and utilized by UNDP should be recorded.	IPSAS General
Regulation 2.04:	The period for the purpose of the utilization of the institutional budget shall consist of two consecutive calendar years (hereinafter referred to as the budget period), the first of which shall be an even year.	New cost classifications Financial period already defined in reg 26.05 which is in line with IPSAS
	Article 3: Internal control	
Regulation 3.01:	The Administrator shall maintain an internal financial control mechanism which shall provide for an effective current examination and review of financial, management and operational activities, in order to ensure:	
Regulation 3.01:	(b) The conformity of commitments and disbursements with the allocations, appropriations or other financial provisions decided upon by the Executive Board with allocations decided upon by the Administrator or with agreements with other United Nations organizations and other entities;	IPSAS - Expenses
Rule 103.01:	(b) The Assistant Administrator, Partnerships Bureau, for Chapter C of these financial regulations and rules governing the mobilization of resources;	Other – updated to reflect current structure
	Article 4: Audit	Other-OAI changes
Regulation 4.01	The Office of Audit and Investigations shall be responsible for the internal audit of UNDP. It shall conduct independent, objective assurance and advisory activities in conformity with the International Standards for the	Other - OAI

Reference	Proposed change	Reason for change
	Professional Practice of Internal Auditing. It shall evaluate and contribute to the improvement of governance, risk management and control processes, and report thereon. The Office of Audit and Investigations shall exercise operational independence in the performance of its duties.	
Regulation 4.02	The Office of Audit and Investigations shall be responsible for assessing and investigating allegations of fraud and corruption committed by UNDP personnel or committed by others to the detriment of UNDP.	Other - OAI
Regulation 4.03	The internal audit function's purpose, authority and responsibility shall be further defined in the Charter of the Office of Audit and Investigations.	Other - OAI
Rule 104.01	The Office of Audit and Investigations shall evaluate the adequacy and effectiveness of governance, risk management and control processes regarding the: (a) reliability and integrity of financial and other information; (b) effectiveness and efficiency of operations; (c) safeguarding of assets; and (d) compliance with legislative mandates, regulations, rules, policies and procedures.	Other - OAI
Rule 104.02	Based on a risk assessment, the Office of Audit and Investigations shall determine, in consultation with the Chief Finance Officer, the nationally implemented projects and projects implemented by non-governmental organizations, which are to be audited. It shall review and assess audit reports prepared by third-party auditors on such audits and on audits of implementing partners related to UNDP-funded activities.	Other - OAI
Rule 104.03	The Office of Audit and Investigations shall have free access to the organization's records, personnel and premises, as necessary, in its opinion, for the performance of its duties.	Other - OAI
Rule 104.04	The Office of Audit and Investigations shall submit its results to the Administrator and other senior managers as appropriate. At least annually, the Director of the Office of Audit and Investigations shall submit a report to the Executive Board on the internal audit and investigation activities and on significant findings, providing insight into the efficient and effective utilization of resources.	Other - OAI
Regulation 4.04:	The external audit provisions of article VII of the United Nations financial regulations have been annexed to these regulations and shall apply to UNDP, except that:	Other – correct reference to UN financial regulations and rules Numbering
Regulation 4.04:	(a) The reports of the Board of Auditors, together with the audited financial statements and the comments thereon of the Advisory Committee, shall also be transmitted to the members of the Executive Board;	Numbering
Regulation 4.04:	(b) Organizations of the United Nations system and the United Nations Office for Project Services entrusted with the execution or implementation of UNDP programme activities shall transmit to the Administrator, for submission to the Executive Board, annual accounts showing the status of resources allocated to them by the Administrator. Such accounts shall bear audit certificates from the external auditors of the organizations and shall be accompanied by their reports, if any, and copies of any relevant resolutions adopted by their legislative or governing bodies;	IPSAS – General Numbering

Reference	Proposed change	Reason for change
Regulation 4.04:	(c) In submitting the above annual accounts to the Executive Board, and as part of the comments submitted with the audited financial statements of UNDP, the Administrator shall comment on the auditors' substantive observations and on their follow-up.	IPSAS – General Numbering
	Chapter C: Resources	
	Article 5: General framework	
Regulation 5.09:	Entities Headquartered in a net contributor country that has contributed in a non-convertible currency shall be reimbursed for services and equipment purchased for the programme activities only in the currency of that country where such a currency is accumulated and until such accumulation is used; conversely, if, when utilizing a non-convertible contribution, costs are incurred in other currencies, these shall be reimbursed to UNDP in a convertible currency.	Numbering
Regulation 5.10:	The Administrator shall provide annually information to the Executive Board on any difficulties encountered in fully utilizing the currencies available to UNDP, together with any additional information requested by the Executive Board on currency utilization.	Numbering
Rule 105.01:	Further to regulation 5.07, the Administrator will promulgate guidelines to ensure risks are mitigated to the extent possible.	Numbering
	Article 6: Voluntary contributions to regular resources	
Regulation 6.05:	Without prejudice to the annual pledging conference convened by the Secretary-General, a special UNDP funding meeting will be convened on an annual basis within the context of the annual session of the UNDP/UNFPA/UNOPS Executive Board, at which voluntary contributions to UNDP regular resources will be formally announced. This funding meeting will be the time when all member States would:	Other - Change to correct terminology for Executive Board
Regulation 6.05:	(a) Announce their voluntary contributions to UNDP as follows: a firm funding pledge for the current year; for those in a position to do so, a firm contribution or indication of the contribution for the following year; and a firm or tentative contribution for the third year;	IPSAS - Revenue
	Article 7: Cost-sharing contributions to other resources	
Regulation 7.01:	The Administrator is authorized to enter into cost-sharing agreements provided these have been agreed to by the programme country or countries, subject to such principles as the Executive Board may establish.	
Rule 107.02:	Cost-sharing contributions shall be set forth in the project document and/or in an agreement with the contributing party. These contributions shall be due in advance of the related commitments and disbursements according to a schedule of payments agreed to in writing by UNDP.	IPSAS - Expense

Reference	Proposed change	Reason for change
	Article 8: Trust fund contributions to other resources	
	Article 9: Other contributions and revenue	IPSAS - Revenue
Regulation 9.01:	Host government contributions to the costs of UNDP country offices.	
Regulation 9.01:	(b) Contributions in cash towards the costs of UNDP country offices shall be credited to the institutional budget of UNDP.	New cost classifications
Regulation 9.03:	At the request of programme countries, UNDP may provide management and other support services associated with the financing of activities by governments, or intergovernmental or governmental organizations. Such management and other support services shall be consistent with the policies, aims and activities of UNDP. The revenue derived from the provision of such management and other support services shall be considered as other resources.	IPSAS - Revenue
Regulation 9.04:	All revenue to UNDP shall be classified as miscellaneous revenue, except:	IPSAS - Revenue
Regulation 9.04:	(a) The revenue from the contributions specified in this Chapter C (Resources);	IPSAS - Revenue
Regulation 9.04:	(b) Direct refunds of disbursements in respect to programme activities during the approved duration of a programme activity, i.e., before the final allocation for UNDP assistance to a programme activity is made;	IPSAS - Expense
Regulation 9.04:	(c) Direct refund of disbursements in respect to the institutional budget during the current budget period;	IPSAS - Expense New cost classifications
Rule 109.01:	Host government contributions in kind to support the cost of UNDP country offices (e.g., goods, services or premises) shall be appropriately recognized in the institutional budget of UNDP.	New cost classifications
	Chapter D: Resource planning and financial authorization	
	Article 10: General framework	
Regulation 10.03:	Subject only to the maintenance on a continuous basis of the reserves set forth under article 25 and for working capital, and after provision has been made for the institutional budget; all resources of UNDP shall be available to the maximum extent possible for programme activities.	New cost classifications Other - Editorial change
	Article 11: Programme activities: distribution of resources	

Reference	Proposed change	Reason for change
Regulation 11.05:	Subject to decisions that the Executive Board may make with regard to specific programme categories, at the end of a financial framework period any unexpended available balance of resources assigned to a specific programme category shall in principle be available for the same respective category in the next financial framework period. Similarly, any commitments and disbursements above resources assigned in a specific category in a financial framework period shall constitute a first charge against the respective category in the next financial framework period.	IPSAS - Expenses
Rule 111.01:	(a) At least annually, at the end of each calendar year the Assistant Administrator, Bureau of Management, shall incorporate for the rolling planning period estimates of the resources expected to be available for new programme commitments and disbursements, and outstanding commitments against those resources.	IPSAS - Expenses
Rule 111.01:	(d) Within the resource planning framework, the Administrator shall set authorized spending limits, or ceilings for encumbrances, commitments and disbursements targets for each year of the planning period and for the planning period as a whole.	IPSAS - Expense
	Article 12: Programme activities: resource assignment	
	Article 13: Institutional budget: submission and approval	New cost classifications
Regulation 13.01:	The Administrator shall prepare the proposed institutional budget, which shall cover development effectiveness, United Nations development coordination, management and special purpose activities. The proposed institutional budget shall be related to the current planning period.	New cost classifications
Regulation 13.02:	The institutional budget shall cover proposed commitments and disbursements and anticipated revenue relating to the budget period and shall be submitted in United States dollars.	New cost classifications IPSAS – Revenue and Expense
Regulation 13.03:	The Administrator shall, in the last year of the budget period, submit the proposed institutional budget for the following budget period to the Executive Board. This proposed institutional budget shall be transmitted to all members of the Executive Board at least six weeks prior to the opening of that session of the Board.	New cost classifications
Regulation 13.04:	(a) The institutional budget estimates shall be submitted to the Advisory Committee for comment prior to presentation to the Executive Board.	New costs classifications
Regulation 13.04:	(b) The proposed budget, together with the Advisory Committee report thereon, shall be considered for approval by the Executive Board in September of the year preceding the period to which the budget relates.	New cost classifications
Regulation 13.05:	The Advisory Committee is requested to prepare a report for submission to the Executive Board on the proposed institutional budget. This report shall be transmitted to all members of the Executive Board as soon as it is available.	New cost classifications
Regulation 13.06:	The Executive Board shall, in the last year of the budget period, adopt the institutional budget for the following budget period.	New cost classifications

Reference	Proposed change	Reason for change
Regulation 13.07:	The proposed institutional budget, for planned revenue, commitments and disbursements, shall be prepared in the form adopted by the Executive Board in relevant decisions on the harmonization of budget presentations.	New cost classifications IPSAS – Revenue and expense
Regulation 13.08:	The Administrator may submit supplementary proposals to amend the institutional budget whenever necessary.	New cost classifications
Regulation 13.09:	The Administrator, in preparing supplementary proposals to amend the institutional budget, shall do so in a form consistent with the approved institutional budget and shall submit such proposals to the Executive Board. They shall also be submitted to the Advisory Committee, which is requested to review them and report thereon to the Executive Board.	New cost classifications
Regulation 13.10:	Subsequent to a session of the Executive Board in the last year of the budget period, the Administrator may utilize the budgetary contingency provision of 3 per cent of the approved gross appropriations for unforeseen requirements resulting from currency movements, inflation or decisions of the General Assembly. Such usage shall be reported to the Executive Board at its next regular session and to the Advisory Committee, which is requested to review it and report thereon to the Executive Board.	IPSAS - General New cost classifications
Rule 113.01:	(a) For each budget period, the UNDP institutional budget shall be established within the parameters of the current planning framework.	New cost classifications
Rule 113.01:	(c) The Administrator shall decide as to the proposed institutional budget to be submitted to the Executive Board.	New cost classifications
Rule 113.02:	Any supplementary institutional budget proposals shall be reviewed by the Assistant Administrator, Bureau of Management, who shall make recommendations to the Administrator. In each case, the Administrator shall decide whether or not to submit a supplementary institutional budget proposal.	New cost classifications
Rule 113.03:	The proposed institutional budget shall comprise:	New cost classifications
Rule 113.03:	(c) The budget proposals, with explanatory statements covering development effectiveness, United Nations development coordination, management and special purpose activities;	New cost classifications
Rule 113.04:	(a) Supplementary proposals to amend the institutional budget may be submitted if inflation forecasts, currency fluctuations or other cost factors are expected to have a significant impact on approved appropriations.	New cost classifications
Rule 113.04:	(b) The proposed institutional budget shall contain provision for the refund to UNDP staff members of income taxes levied on them in respect to earnings derived from employment with UNDP.	New cost classifications
		New cost classifications
	Article 14: Institutional budget: appropriations	
Regulation 14.01:	Appropriations for the institutional budget approved by the Executive Board shall constitute an authorization to the Administrator to incur commitments and to make disbursements for the purposes for which the appropriations were approved and up to the amounts so approved.	New cost classifications IPSAS - Expense

Reference	Proposed change	Reason for change
Regulation 14.02:	Appropriations for the institutional budget shall be available for commitment during the budget period to which they relate.	New cost classifications IPSAS - General IPSAS – Expense
Regulation 14.03:	(a) Appropriations shall remain available for 12 months following the end of the budget period to which they relate to the extent that they are required to discharge any outstanding commitment of the budget period. The balance of the appropriations shall revert to the UNDP regular resources account.	New cost classifications IPSAS – Expense
Regulation 14.03:	(b) Any outstanding commitment at the end of the budget period in question shall at that time be cancelled or, where the outstanding commitment remains a valid charge, transferred as a commitment against current appropriations.	IPSAS - Expense
Regulation 14.04:	Transfers between the appropriation lines for the budget period may be made by the Administrator, subject to such limits as the Executive Board may specifically decide with the prior concurrence of the Advisory Committee.	New cost classifications IPSAS - General
Rule 114.01:	(b) Authorization by the Assistant Administrator, Bureau of Management, to expend the institutional budget appropriations may take the form of:	New cost classifications
Rule 114.01:	i. An authorized spending limit of resources or other authorization to commit resources for a specific period and/or a specific purpose; and/or	IPSAS – General
Rule 114.02:	(a) An authorized spending limit shall be issued at least annually by the Assistant Administrator, Bureau of Management, to each business unit for the objects of commitments and disbursements under its control.	IPSAS - Expense
Rule 114.02:	(b) Each business unit is responsible for ensuring that policies and procedures with respect to commitments, accruals and disbursements are adhered to as described in chapter G.	IPSAS - Expense
Rule 114.03:	Commitments in the interest of UNDP against resources anticipated for future periods may be authorized only by the Assistant Administrator, Bureau of Management. Such commitments shall normally be restricted to administrative requirements of a continuing nature and to other contractual arrangements where longer lead times are required to ensure timely delivery and shall be treated as a first charge to the relevant appropriations approved by the Executive Board.	New cost classifications
Rule 114.04:	(a) An authorized staffing table shall be issued for the budget period by the Assistant Administrator, Bureau of Management, to each business unit, indicating the number and level of approved posts.	IPSAS - General
Rule 114.05:	The Assistant Administrator, Bureau of Management, may redeploy resources among business units and budgetary accounts, provided such redeployments are within the total appropriations approved by the Executive Board for an appropriation line.	IPSAS - Expense
	Article 15: Support services	

Reference	Proposed change	Reason for change
Regulation 15.03:	The Administrator is authorized to make adequate arrangements with the programme country Government, executing entity or, under the harmonized operational modalities established in response to General Assembly resolution 56/201, implementing partner for reimbursement of costs incurred by UNDP for support services it provides.	
Rule 115.01:	(a) Where the supply of such goods and services is of a regular and continuing nature, except where reciprocal arrangements have been made with the approval of the Assistant Administrator, Bureau of Management, the relevant budget shall include provision both for the cost of such goods and services, and for any repayment thereof as revenue;	IPSAS – Revenue
Rule 115.01:	(b) In the absence of pre-financing or budgetary provision, the Assistant Administrator, Bureau of Management, may institute a reimbursement arrangement by authorizing commitments and disbursements to be incurred and charged to accounts receivable pending recovery from the party concerned.	IPSAS - Expense
Chapter E: Utilization of resources by executing entities and implementing partners		
Article 16: General framework		
Regulation 16.06:	The Administrator shall establish, from time to time, in consultation with the Board of Auditors, criteria determining which UNDP programme activities carried out by an executing entity, or under the harmonized operational modalities, by an implementing partner, are to be audited annually. Such criteria shall be made available to the Board of Auditors.	IPSAS - General
Rule 116.03:	(a) The existence of an agreement governing UNDP programme activities in a programme country in the form of a standard agreement, or, in the absence of a standard agreement, in the form of a standard annex to the project document, is a precondition for the approval of UNDP programme activities or for otherwise encumbering funds for UNDP programme activities.	IPSAS - Expense
Article 17: Designation, selection and termination of the executing entity and implementing partner		
Article 18: Financial oversight of the executing entity and implementing partner functions		
Regulation 18.01:	The budget covering UNDP programme activities, as contained in an approved document, shall constitute the allocation of resources by the Administrator to the executing entity or, under the harmonized operational modalities, implementing partner, and the authorization to enter into commitments and incur disbursements.	IPSAS - Expense

Reference	Proposed change	Reason for change
Regulation 18.02:	The budget covering UNDP programme activities shall be presented in annual segments and shall constitute a ceiling on commitments and disbursements for the current year and on commitments for future years in connection with UNDP programme activities for which the allocation was made.	IPSAS - Expense
Regulation 18.05:	(a) Each executing entity, or, under the harmonized operational modalities, implementing partners, shall maintain such accounts and records as are necessary to enable it to report on the financial status of funds obtained from or through UNDP, including in particular the balance of recorded allocations, commitments, accruals and disbursements, as applicable, except in the case of sector budget support and pooled funds.	IPSAS - Expense
Regulation 18.05:	(b) The Administrator shall establish the policies and procedures for UNDP participation in direct budget support and pooled funds. The policies and procedures shall provide that UNDP may make financial contributions to either sector budget support or pooled funds. The policies and procedures shall further provide for UNDP reporting to the Executive Board on the financial status of funds obtained from or through UNDP based on the totality of comingled resources contributed to the sector budget support or pooled fund, on the basis of programme and financial reporting established in the agreement among the participants to, and governing, the sector budget support or pooled fund. The expense recognition for UNDP resources contributed to the sector budget support or pooled fund shall be on a prorated basis including the total contributions by the participating partners.	IPSAS - Expense
Regulation 18.06:	(a) Following completion of UNDP programme activities, the balance of the allocation between actual commitments and disbursements and the allocation shall revert to the respective source of resources;	IPSAS - Expense
Regulation 18.06:	(b) The final allocation shall remain available for the period of time required to discharge any outstanding commitments for UNDP programme activities to which it relates.	IPSAS - Expense
Rule 118.01:	Agreed documents describing UNDP programme activities shall include a budget to be established on an annualized basis for the duration of UNDP programme activities. The budgetary provision contained in the agreed document shall constitute an allocation and an encumbrance of funds by UNDP to finance UNDP programme activities described therein, subject to the availability of resources.	IPSAS - Expense
Rule 118.02:	At agreed regular intervals, all executing entities or, under the harmonized operational modalities, implementing partners, shall be required to submit to UNDP reports on the status of allocations made to them by UNDP, including information in respect to their total recorded allocations, disbursements, commitments, cash holdings and other financial data.	IPSAS - Expense
Rule 118.07:	(a) Except as provided under (b) below, project budgets and authorized spending limits shall constitute ceilings for commitments and disbursements on UNDP programme activities for current and future years;	IPSAS - Expense
Rule 118.07:	(b) In any given year, the expenses of an executing entity or, under the harmonized operational modalities, implementing partner, may exceed an approved project budget for that year by 4 per cent of that year's annual project budget (excluding the cost-sharing and trust fund budget). These additional expenses are authorized provided that the total excess amount of such entity or partner for that year does not exceed 2 per cent of the total	IPSAS - Expense

Reference	Proposed change	Reason for change
	UNDP fund (excluding cost-sharing and trust funds) approved for the expenses by that entity or partner for that year.	
Rule 118.08:	(a) As soon as UNDP programme activities have ceased, the executing entity or, under the harmonized operational modalities, implementing partner, shall declare them operationally completed. It shall inform UNDP of such operational completion and submit to UNDP a budget revision, in conformity with established procedures for budget revision, reflecting actual and estimated expenses to date.	IPSAS - Expense
	Article 19: Grants	
	Chapter F: Utilization of resources by UNDP	
	Article 20: General framework	
Regulation 20.01:	Commitments and disbursements for the current year and commitments for future years shall be incurred only after allocations for UNDP programme activities, allotments in respect to the institutional budget or other appropriate authorizations have been made in writing under the authority of the Administrator.	New cost classifications IPSAS - Expense
Regulation 20.02:	Unless otherwise expressly authorized by the Administrator, there shall be a separation of duties:	
Regulation 20.02:	(a) Between the staff who may incur commitments on behalf of UNDP and the staff who may verify that payments may be made on behalf of UNDP; and	IPSAS - Expense
Regulation 20.03:	The Administrator shall:	
Regulation 20.03:	(b) Cause all commitments to be made on the basis of supporting documents which ensure that resources are available to cover the anticipated claim, in the form of an allocation or an allotment;	IPSAS - General
Rule 120.02:	(a) The Chief Procurement Officer shall specify the amounts above which establishment or amendment of a commitment document is required. Such amounts shall include a series of commitments for the same purpose.	IPSAS - Expense
Rule 120.02:	(c) Resources must be committed, by means of a commitment document, as soon as a contract, agreement or undertaking of any nature has been entered into.	IPSAS - Expense
Rule 120.03:	(a) Each proposed commitment document, accompanied by appropriate supporting documentation, shall be signed by a committing officer.	IPSAS - Expense
Rule 120.03:	(c) The Chief Procurement Officer may reject any proposal for commitment or disbursement.	IPSAS - Expense
Rule 120.03:	(d) The Chief Procurement Officer shall have authority to certify commitments under all accounts.	IPSAS - Expense
Rule 120.04:	Further to regulation 20.02, regarding exceptions to the separation of duties:	
Rule 120.04:	(b) At least two signatories are required to authorize the expense of funds;	IPSAS - Expense

Reference	Proposed change	Reason for change
	Article 21: Procurement of goods and services	
Regulation 21.02:	The following general principles shall be given due consideration when exercising the procurement functions of UNDP:	
Regulation 21.02:	(a) Best value for money;	
Regulation 21.02:	(b) Fairness, integrity and transparency;	
Regulation 21.02:	(c) Effective international competition;	
Regulation 21.02:	(d) The interest of UNDP.	
Rule 121.01:	Procurement Authority:	
Rule 121.01:	(b) The Chief Procurement Officer shall ensure that the procurement functions are carried out in accordance with the relevant financial regulations and rules. To this end, the Chief Procurement Officer:	
Rule 121.01:	ii. Shall establish review committees, at Headquarters and other locations, to render written advice to the Chief Procurement Officer on procurement actions leading to the award or amendment of procurement contracts, which, for purposes of these regulations and rules, includes agreements or other written instruments, such as purchase orders, and contracts that involve revenue to UNDP. The Chief Procurement Officer shall establish the composition and the terms of reference of such committees, which shall include the types and monetary values of proposed procurement actions subject to review;	IPSAS - Revenue
Rule 121.02:	Procurement modalities	
	Article 22: Verification for payments	
Regulation 22.01:	The Administrator shall:	
Regulation 22.01:	(a) Designate the staff who may verify that payments may be made on behalf of UNDP;	
Regulation 22.01:	(b) Cause all payments to be made on the basis of supporting vouchers and other documents that ensure the services or goods have been received, and that payments have not previously been made.	
Rule 122.02:	(a) A verifying officer shall approve a voucher for payment when:	
Rule 122.02:	ii. It is supported by documents which indicate that the goods or services for which payment is claimed have been received or rendered in accordance with the terms of the contract and the related commitment;	IPSAS - Expense
Rule 122.02:	(b) Should an invoice be presented for payment in an amount which exceeds the existing relevant commitment either by the amount specified by the Chief Procurement Officer in rule 120.02 or more, prior commitment of resources by a committing officer is required.	IPSAS - Expense
Rule 122.02:	(c) For payments for which funds did not need to be reserved by the recording of a commitment in accordance with rule 120.02, the documentation supporting the payment voucher must be signed by a committing officer before the payment may be approved by a verifying officer.	IPSAS - Expense

Reference	Proposed change	Reason for change
	Article 23: Ex gratia payments	
	Chapter G: Administration of resources	
	Article 24: Management of supplies, property, plant and equipment and other assets	IPSAS - PPE
Regulation 24.01:	The Administrator is responsible and accountable for managing the supplies, property, plant and equipment of UNDP effectively and efficiently in furtherance of its mandate and activities.	IPSAS - PPE
Regulation 24.01:	(a) The management of supplies, property, plant and equipment includes all actions necessary for its receipt, custody, maintenance and disposal;	IPSAS - PPE
Regulation 24.01:	(b) The Administrator may delegate authority, as appropriate, for such management of supplies, property, plant and equipment.	IPSAS - PPE
Regulation 24.02:	Supplies, property, plant and equipment financed or provided by UNDP shall belong to UNDP unless and until such time as ownership or control is transferred, on terms and conditions mutually agreed upon between the programme country and UNDP.	IPSAS - PPE
Rule 124.01:	(a) The Assistant Administrator, Bureau of Management, shall determine the types of supplies, property, plant and equipment for which records shall be maintained and shall establish the nature and extent of the records in keeping with the purpose of these rules.	IPSAS - PPE
Rule 124.01:	(b) The Assistant Administrator, Bureau of Management, shall be responsible for the maintenance of the property records established under (a) above. Such records shall be maintained both for Headquarters and for UNDP country offices and shall show separately supplies, property, plant and equipment belonging to UNDP and/or entrusted to the charge of UNDP.	IPSAS - PPE
Rule 124.01:	(c) Physical verification shall be taken of supplies, property, plant and equipment owned by UNDP, or entrusted to the charge of UNDP annually or at such intervals as deemed necessary to ensure adequate control over such property. The selection of items to be verified shall be the responsibility of the Assistant Administrator, Bureau of Management, who shall also arrange for the conduct of physical verification at Headquarters and country offices.	IPSAS - PPE
Rule 124.02:	The Assistant Administrator, Bureau of Management, shall establish review committees for Headquarters and other locations, to render written advice to him or her in respect to loss, damage or other discrepancy in relation to the property, plant and equipment of UNDP. The Assistant Administrator, Bureau of Management, may delegate responsibility under this rule as may be appropriate in fulfilling the purposes of this rule. He or she shall establish the composition and terms of reference of such boards, which shall include procedures for determining the cause of such loss, damage or other discrepancy, the disposal action and the degree of responsibility, if any, attaching to	Other – Property survey board changed to review committees IPSAS - PPE

Reference	Proposed change	Reason for change
	any official of UNDP or other party, for such loss, damage or other discrepancy. The Assistant Administrator, Bureau of Management, shall be responsible for the disposal of property, plant and equipment by means other than sale and shall issue administrative instructions for such disposal actions.	
Rule 124.03:	(a) The Assistant Administrator, Bureau of Management, shall be responsible for the disposal of property, plant and equipment by sale. He or she shall establish administrative instructions for the sale of property and may delegate authority as necessary.	IPSAS - PPE
Rule 124.03:	(b) Supplies, property, plant and equipment declared surplus or unserviceable following a recommendation by the applicable review committees shall be sold after competitive bidding, unless:	IPSAS – PPE Other – Property survey board changed to review committees
Rule 124.03:	i. The book value per item is less than an amount to be specified by the Assistant Administrator, Bureau of Management, for disposal by competitive bidding.	IPSAS - PPE
Rule 124.03:	ii. The exchange of surplus supplies, property, plant and equipment in partial or full payment for replacement will, in the opinion of the applicable review committee, be in the interest of UNDP;	IPSAS PPE Other – Property survey board changed to review committees
Rule 124.03:	iii. It will be more economical to destroy the surplus or unserviceable material or its destruction is required by law or by its nature.	IPSAS - PPE
Rule 124.04:	All supplies, property, plant and equipment received by UNDP shall immediately be inspected to ensure that the items comply with the specifications of the purchase contract and that their condition is satisfactory. As an item is received an appropriate receiving report shall be issued and the item shall be entered, if required under rule 124.01(a), into the property records.	IPSAS - PPE
Rule 124.05:	UNDP supplies, property, plant and equipment shall be sold on the basis of payments on or before delivery. Exceptions to this rule may be authorized in writing by the Assistant Administrator, Bureau of Management, when, in his or her view, this is in the interest of UNDP.	IPSAS - PPE
Rule 124.06:	Ownership of supplies, property, plant and equipment may be transferred, on terms and conditions mutually agreed upon between the programme country and UNDP, at any time after its arrival in the country being assisted and shall be effected by the Resident Representative after consultation with the parties concerned.	IPSAS - PPE
	Article 25: Cash management	
Regulation 25.03	Taking into account the objectives and policies of UNDP and the special requirements of its operations, including liquidity, moneys not required immediately may be placed in liquid fixed-term instruments by the Administrator. The Administrator may, in exceptional circumstances, upon recommendation of the investment committee, place such funds in other investment instruments.	Other – to provide flexibility regarding investment of funds
Regulation 25.06:	The specific advance approval of the Executive Board shall be required for any loan of UNDP resources not authorized under the provision of these regulations.	

Reference	Proposed change	Reason for change
Rule 125.06 (c)	All local disbursements of a country office must be paid in local currency to the extent possible, fully utilizing non-convertible balances held prior to utilization of convertible local currency balances held. Use of convertible currency in lieu of non-convertible currency for local disbursement may be exceptionally approved by the Administrator when local conditions dictate.	Other – new rule to provide guidance on country office payments
Rule 125.09:	Petty cash advances may be made available to officials designated by the Treasurer or his or her designate from petty cash accounts. The Treasurer may, where adequate safeguards are provided, authorize petty cash advances from petty cash accounts to non-staff personnel up to an amount determined by the Treasurer. These cash accounts shall be maintained on an imprest basis. The amount and purposes of each account shall be defined by the Treasurer. The amount held shall be the minimum compatible with working requirements.	Other – change in petty cash rule to facilitate business process simplification.
	Article 26: Accounting	
Regulation 26.01:	The Administrator shall annually submit financial statements in accordance with the International Public Sector Accounting Standards, including a regular resources account and an other resources account. Separate financial statements will be submitted annually for all funds and programmes administered by UNDP.	IPSAS - General
Regulation 26.04:	Miscellaneous revenue shall be credited to the relevant UNDP account to which the revenue accrued or from which it derived.	IPSAS - Revenue
Regulation 26.05:	The financial period shall consist of a single calendar year.	IPSAS - General
Regulation 26.06:	All trust funds shall be reported in detail to the Executive Board through the Advisory Committee.	Numbering
Regulation 26.07:	The financial statements shall be submitted by the Administrator, not later than 30 April of the year following the end of each financial period, to the United Nations Board of Auditors for examination and opinion.	IPSAS – General Numbering
Rule 126.04:	Payments of voluntary contributions intended for credit to UNDP that are in United States dollars shall be recorded as revenue in the actual amount received by UNDP. Payments of voluntary contributions in other than United States dollars shall be recorded as revenue expressed in United States dollars at the United Nations operational rate of exchange in effect on the date of payment.	IPSAS - Revenue
Rule 126.05:	Host government cash contributions towards the cost of UNDP country offices shall be credited as revenue in the gross institutional budget of UNDP. If received in local currency, credit in United States dollars will be at the United Nations operational rate of exchange in effect on the date of payment.	New cost classifications IPSAS – Revenue
Rule 126.06:	(b) Exchang. adjustments arising from other financial transactions shall be recorded separately as miscellaneous revenue or expenses, as appropriate.	IPSAS – Expense and Revenue
Rule 126.07:	(a) Revenue from investments shall be recorded as miscellaneous revenue in the relevant UNDP account. Unless authorized by the Administrator, no interest shall be payable on funds administered by UNDP.	IPSAS – Revenue Other – retention of interest

Reference	Proposed change	Reason for change
Rule 126.08:	(a) Refunds of expenses financed from a given institutional budget shall be credited to the accounts originally charged, if received in the same financial period or, if received subsequent to that period, to miscellaneous revenue.	New cost classifications IPSAS – Revenue and Expense Numbering
Rule 126.08:	(b) Refunds of project expenses received during the life of a project, i.e., before the final allocation of UNDP assistance is made, shall be credited to the project account originally charged. Refunds subsequently received shall be credited to miscellaneous revenue.	IPSAS – Revenue and Expense Numbering
Rule 126.09:	(a) Savings or deficits on liabilities charged to financially completed UNDP programme activities shall be credited or charged to the relevant UNDP account under miscellaneous revenue.	IPSAS – Revenue and Expense Numbering
Rule 126.09:	(b) Unforeseen disbursements or refunds in respect to financially completed UNDP programme activities shall be charged or credited to the relevant UNDP account under miscellaneous revenue.	IPSAS – Revenue and Expense Numbering
Rule 126.09:	(c) Such net adjustments on account of financially completed UNDP programme activities shall not exceed 10 per cent of the final allocation made to the relevant budget or $50,000, whichever is less, without the approval of the Assistant Administrator, Bureau of Management.	Numbering
Rule 126.10:	When a commitment is incurred in currencies other than United States dollars, it shall be recorded in the accounts in the United States dollar equivalent at the prevailing United Nations operational rate of exchange. If at the time of payment currency fluctuation has resulted in a change in the United States dollar equivalent from the original amount committed, the difference is to be charged or credited to the same account against which the commitment was recorded. In such cases, an amendment to the original commitment document is not required. Valid commitment at 31 December should be revalued to reflect the United Nations operational rate of exchange in effect on that date, and an amended commitment document be issued, if the revalued obligation exceeds the original by the amount specified by the Chief Procurement Officer in accordance with rule 120.02.	IPSAS – Expense Numbering
Rule 126.11:	(a) Outstanding commitments retained against appropriations of the previous financial period in accordance with regulation 14.03 shall be jointly reviewed periodically by the committing or alternate committing officers and the Bureau of Management. Commitments that after review are no longer considered valid shall be cancelled and the resulting credit surrendered. If after 12 months of the ensuing budget period an outstanding commitment continues to be valid, it shall be recommitted against appropriations of the then-current financial period.	IPSAS – Expense IPSAS - General New cost classifications Numbering
Rule 126.11:	(b) Reasonably frequent reviews of all outstanding commitments shall be conducted	IPSAS – Expense Numbering
Rule 126.12:	(a) Disbursements shall be recorded as of the date they are made; that is, when the cheque is issued, the bank transfer is requested or cash is paid out;	Numbering
Rule 126.12:	(b) Receipts shall be recorded on the date received.	Numbering

Reference	Proposed change	Reason for change
Rule 126.13:	In addition to the financial statements, there shall be provided to the United Nations Board of Auditors information on:	Numbering
Rule 126.13:	(a) Ex gratia payments;	Numbering
Rule 126.13:	(b) Supplies, property, plant and equipment for which records are kept;	IPSAS – PPE Numbering
Rule 126.13:	(c) Losses of assets written off; and	IPSAS – Revenue IPSAS – PP&E Numbering
Rule 126.13:	(d) Such other information as the Board may require.	Numbering
Rule 126.14:	(a) For purposes of accounting for and reporting on UNDP assets, liabilities and transactions, and the maintenance of other financial records, other currencies will be translated into United States dollars at the United Nations operational rate of exchange in effect on the date of the report or the date of the transaction as may be appropriate.	Numbering
Rule 126.14:	(b) When the United Nations operational rate of exchange for a currency has been revised, any asset or liability held in that currency shall be revalued, for financial statement purposes, in terms of United States dollars and any gain or loss shall be debited or credited to miscellaneous revenue.	IPSAS – Revenue Numbering
Rule 126.15:	The principal accounts of UNDP shall account for the financial resources administered by UNDP, divided into categories as established by these regulations and applicable rules, and by the Executive Board.	Redefined as these accounts are no longer applicable under IPSAS.
Rule 126.15:	The Comptroller, Bureau of Management, shall certify that, to the best of his or her knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the financial statements and supporting schedules.	
Regulation 26.08	The Administrator may, after full investigation, authorize the writing off of losses of assets, provided that a statement of all such amounts written off shall be submitted to the United Nations Board of Auditors with the accounts, as required by regulation 26.01. The Administrator may establish, from time to time, an amount below which full investigation, reporting and formal write-off are not required. Such amounts shall, for administrative efficiency, be charged directly to the relevant allotment/budget line.	IPSAS – PP&E Combined Regulation and rules on write-off
Rule 126.17	Loss of cash, receivables and property, plant equipment and other assets. a) Any loss of assets shall be reported to the Assistant Administrator, Bureau of Management, who may, after full investigation, authorize the writing off of assets deemed to be irrecoverable, except that proposals to write off amounts in excess of $100,000 shall be submitted to the Administrator for approval.	IPSAS – PP&E Combined Regulation and rules on write-off

Reference	Proposed change	Reason for change
Rule 126.17	b) An investigation shall determine the cause of the loss of assets, including the responsibility of the staff members or others. Such staff members or others may be required to reimburse the loss either partially or in full. The final determination as to all recoveries to be made against staff members or others as the result of losses will be made by the Assistant Administrator, Bureau of Management.	IPSAS – PP&E Combined Regulation and rules on write-off
Rule 126.17	c) The amount authorized for waiver of investigation, reporting and write-off is $1,000.	Combined Regulation and rules on write-off

	Chapter H: Definitions	
	Article 27: Definitions	
	Proposed Change	Reason for change
Regulation 27.01	For the purpose of the financial regulations and rules of UNDP, the following definitions of the main entities involved in the activities of UNDP shall apply:	Definitions also apply to rules
Regulation 27.01:	(l) "Direct budget support" is defined as a method of financing the budget of a partner country through a transfer of resources from an external financing agency to the national treasury of the partner government. The funds thus transferred are managed in accordance with the recipient's budgetary procedures. This includes using the national regulatory framework for financial allocations, procurement and accounting systems. "Sector budget support" fund shall refer to the financial contribution to a government budget, managed in a national account by a government entity for a specific set of sector or programme results. A pooled fund is designed for financing commitments and disbursements within a sector or a programme through the pooling of the financial resources by the participating partners. A "pooled fund" would be contracted out by a government to be managed by an agreed party.	IPSAS - Expense
Regulation 27.02:	For the purposes of the financial regulations and rules of UNDP, the following definitions of specific terms used shall apply. These terms are listed in alphabetical order.	Definitions also apply to rules
Regulation 27.02:	**accrual**: amounts due for goods and services received but not yet disbursed.	IPSAS - General New definition
Regulation 27.02:	**allocation**: a financial authorization issued by the Administrator to effect encumbrances, enter into commitments and incur expenses for specific purposes relating to UNDP programme activities and within specified limits, during a definite period;	IPSAS - Expenses
Regulation 27.02:	**allotment**: a financial authorization issued by the Administrator to an official or to a unit to incur commitments for specific purposes relating to the institutional budget and within specified limits, during a definite period;	IPSAS – Expense New cost classifications
Regulation 27.02:	**appropriations**: the total amount approved by the Executive Board for specified purposes for the current institutional budget against which commitments may be incurred for those purposes up to the amounts so approved. The appropriations are divided into "appropriations lines", for each of which a specific amount is	IPSAS – Expense New cost classifications IPSAS - General

	Chapter H: Definitions	
	Article 27: Definitions	
	Proposed Change	Reason for change
	shown in the appropriate decision adopted for each budget period by the Executive Board and within which the Administrator is authorized to make transfers without prior approval;	
Regulation 27.02:	**assets**: tangible and intangible possessions that have a value.	IPSAS – PP&E New definition
Regulation 27.02:	**commitment**: shall mean a legal obligation arising from a contract, agreement or other form of undertaking by UNDP or based on a liability recognized by UNDP, either against the resources of the current year in respect to UNDP programme activities or against the current budget period in respect to the institutional budget	IPSAS - Expense
Regulation 27.02:	**contributions in-kind**: property, plant, equipment, supplies or services donated to UNDP.	IPSAS – Revenue New definition
Regulation 27.02:	**development activities**: category of costs associated with "programmes" and "development effectiveness" activities which contribute to the effective delivery of development results, as follows: **a) programmes**: category of costs associated with specific programme components or projects that contribute to delivery of development results contained in country/regional/global programme documents or other programming arrangements; **b) development effectiveness**: category of costs associated with activities of a policy-advisory, technical and implementation nature that are needed for achievement of the objectives of programmes and projects in the focus areas of the organizations. These inputs are essential to the delivery of development results, and are not included in specific programme components or projects in country, regional or global programme documents.	New cost classifications
Regulation 27.02:	**encumbrance**: an anticipated or conditional liability against resources of one or more future years subject to availability of funds.	IPSAS - Expense
Regulation 27.02:	**expense**: includes disbursements and accruals for goods and services received, and the use or impairment of assets, dependent on the implementation arrangement and in accordance with administrative instructions issued by the Comptroller for a financial period.	IPSAS – Expense New definition
Regulation 27.02:	**indirect costs**: the costs incurred by the organization in support of programmes or projects that cannot be directly attributed to such specific programmes or projects.	New cost classifications New definition
Regulation 27.02:	**institutional budget**: covers the estimates as approved by the Executive Board relating to the activities and associated costs in the cost categories of development effectiveness, United Nations Development Coordination, management and special purpose.	New cost classifications New definition
Regulation 27.02:	**management costs**: categories of costs in which the primary function is the promotion of the identity, direction and well-being of an organization. These include executive direction, representation, external relations and partnerships, corporate communications, legal, oversight, audit, corporate evaluation, information technology, finance, administration, security and human resources. This includes both activities and associated costs of a recurring and non-recurring nature.	New cost classifications

	Chapter H: Definitions Article 27: Definitions Proposed Change	Reason for change
Regulation 27.02:	**outstanding commitment**: a portion of a commitment that has not yet been disbursed accrued or discharged.	IPSAS Expense New definition
Regulation 27.02:	**property, plant and equipment**: tangible assets held for use in the activities of UNDP or for administrative purposes and expected to be used during more than one financial period.	IPSAS - PPE New definition
Regulation 27.02:	**Pledge**: written intention by a donor to contribute a specified amount at a future date.	IPSAS – Revenue New definition
Regulation 27.02:	**regular resources**: the resources of UNDP that are comingled and untied. These will include voluntary contributions, contributions from other governmental, intergovernmental or non-governmental sources and related interest earnings and miscellaneous revenue;	IPSAS - Revenue
Regulation 27.02:	**resources administered by UNDP**: all contributions received and all revenue earned by UNDP;	IPSAS - Revenue
Regulation 27.02:	**revenue** is the inflow of contributions, fees and other considerations received by or due to UNDP.	IPSAS – Revenue New definition
Regulation 27.02:	**special purpose**: categories of costs of a cross-cutting nature that (a) involve material capital investments, or (b) do not represent a cost related to the management activities of the organization.	New cost classifications
Regulation 27.02:	**United Nations Development Coordination**: category of costs associated to supporting the coordination of development activities of the United Nations system.	New cost classifications
Regulation 27.02:	**UNDP accounts**: the accounts established for the purposes of accounting for all resources entrusted to the Administrator and activities thereby financed, and shall include:	IPSAS – General
Regulation 27.02:	(a) The regular resources account, which shall include all regular resources of UNDP, activities thereby financed, and related revenue; and	IPSAS – Revenue
Regulation 27.02:	(b) The other resources account, which shall include all other resources of UNDP, activities thereby financed, and related revenue; and	IPSAS – Revenue
Regulation 27.02:	(c) The UNDP funds account, which shall include all resources received by funds and programmes entrusted to the Administrator, activities thereby financed, and related revenue;	IPSAS – Revenue
Regulation 27.02:	**working capital**: the residual of cash flows into and out of UNDP used to provide advances to executing entities, or, under the harmonized operational modalities, to implementing partners, in order to fund outstanding commitments and pay ongoing administrative expenses;	IPSAS – Expense

Annex 3. Proposed revised changes to UNCDF annex to UNDP financial regulations and rules

Annex I to UNDP financial regulations and rules

UNITED NATIONS CAPITAL DEVELOPMENT FUND

1. This annex contains the text of additions or amendments to the UNDP financial regulations which shall be applicable to the United Nations Capital Development Fund (UNCDF) and which are necessary in order to take account of the special requirements of UNCDF operations. This annex also indicates which of the UNDP financial regulations are not applicable to UNCDF.

2. Unless otherwise specified in this annex, the UNDP financial regulations shall apply, mutatis mutandis, to all funds administered by UNCDF. Thus, for example, in the application of the financial regulations of UNDP to UNCDF.

(a) "The UNDP account" shall mean "the UNCDF account";

(b) "the Administrator" shall mean "the Administrator, when performing the functions of the Managing Director of UNCDF";

(c) "the Executive Board" shall mean "the Executive Board of UNDP, when performing the functions of the Executive Board of UNCDF";

(d) "project document" shall mean "project agreement"; and

(e) "executing agency" shall mean "executing agency and/or cooperating agency".

3. The following provisions of the UNDP financial regulations shall not apply to UNCDF. They are provisions that either concern matters unique to UNDP or have been amended for application to UNCDF as indicated in paragraph 4 below.

Article 5	**General Framework**
Regulations:	5.02, 5.03(b), 5.05, 5.08
Article 7	**Cost-sharing contributions to other resources**
Regulations:	7.01, 7.02, 7.04
Article 9	**Other contributions and revenue**
Regulations:	9.01, 9.03
Article 10	**General framework**
Regulations:	10.02, 10.03, 10.04
Article 11	**Programme activities: distribution of resources**
Regulations:	11.04
Article 12	**Programme activities: resource assignment**
Regulations:	12.02, 12.03, 12.04

Article 16	**Utilization of resources by executing entities and implementing partners**
Regulation:	16.01
Article 17	**Designation, selection and termination of the executing entity and implementing partner**
Regulations:	17.01(a), 17.02(d)
Article 18	**Financial oversight of the executing entity and implementing partner functions**
Regulations:	18.01, 18.02, 18.03, 18.06(a), 18.06(b)
Article 19	**Grants**
Regulation:	19.01
Article 20	**General framework**
Regulation:	20.01
Article 25	**Cash management**
Regulations:	25.04, 25.05(c), 25.06

4. The following provisions shall apply solely to UNCDF. They represent additions to, deletions from, or provisions in substitution for, the corresponding provisions contained in the UNDP financial regulations.

Chapter C: Resources

Article 5: General Framework

Regulation 5.02: Voluntary contributions, either in cash or in kind, may be accepted by UNCDF from Governments of Member States of the United Nations, of the specialized agencies or of the International Atomic Energy Agency, or from sources other than Governments.

Regulation 5.03(b): Voluntary contributions shall be made in currencies that are readily and economically usable by UNCDF or in the national currency of the contributor.

Regulation 5.08: In case of default in making the payments required under (b) above, the Administrator is authorized to reduce, modify or terminate the assistance being funded by the cost-sharing contribution, as the Administrator deems necessary.

Chapter D: Resource Planning and Financial Authorization

Article 10: General Framework

Regulation 10.04: UNCDF assistance to projects approved by the Administrator shall be approved on a partially funded basis consistent with the provisions of regulation 11.04 below and shall be subject to the following arrangements for project implementation.

Article 11: Programme activities: distribution of resources

Regulation 11.04: The Administrator shall plan for the delivery of UNCDF assistance to projects at rates expected to achieve annual commitments and disbursements targets, subject to the availability of resources.

Article 13: Institutional budget: submission and approval

Regulation 13.01: The proposed institutional budget shall be accompanied by such information annexes and explanatory statements as may be requested by the Executive Board or as the Administrator may deem necessary and useful.

Chapter E: Utilization of resources by executing entities and implementing partners

Article 16: General Framework

Regulation 16.01: UNCDF assistance to projects shall be in the form of either grants or loans. Loans extended by UNCDF shall have long periods of amortization, low rates of interest, or be free of interest and generally be extended on terms comparing favourably with those of loans extended by other international lending institutions.

Rule 116.02: Approval of UNCDF assistance to a project shall become effective upon signature of the project agreement by the Government or Governments and UNCDF, and, where appropriate, by an executing entity, or, under the harmonized operational modalities, by an implementing partner or other party selected under regulation 17.02 (d) above, and shall be subject to fulfillment of any conditions precedent contained in the project agreement.

Article 17: Designation, selection and termination of the executing agency and implementing partner

Regulation 17.03(a): Implementation of UNCDF assistance to a project shall be primarily the responsibility of the requesting Government.

Regulation 17.03(b): Subject to the agreement of the Government concerned, the Administrator may designate a cooperating agency to assist the Government in implementing one or more components of the project, or may designate an executing entity, or, under the harmonized operational modalities, an implementing partner to be responsible for project implementation.

Regulation 17.02 (d): Under conditions established by the Executive Board, the Administrator is also authorized, subject to the agreement of the requesting Government or Governments, to contract for the services of other agencies, private firms or individual experts in the implementation of projects, and to assign projects to a governmental, intergovernmental or non-governmental institution or agency not part of the United Nations system, or to UNDP itself for implementation.

Article 18: Financial oversight of the executing entity and implementing partner functions

Regulation 18.01: The project budget covering UNCDF assistance to an approved project, as contained in the project agreement between UNCDF and the recipient Government, shall constitute the total allocation of UNCDF funds for the project. For the purposes of regulation 18.02 below, the project budget shall be presented in annual segments;

Regulation 18.01: The UNCDF allocation contained in the project agreement constitutes the total UNCDF funds encumbered to the project for the duration of the project against which disbursement authorizations shall be issued by UNCDF annually to the disbursing agent(s);

Regulation 18.02: The annual disbursement authorization constitutes a ceiling on commitments and disbursements for the current year, and shall be issued by UNCDF only upon receipt of a schedule of activities and estimated commitments and disbursements for the current year to be submitted by the disbursing agent(s);

Regulation 18.06 (a): Following project completion, UNCDF shall revise the project budget to reflect actual commitments and disbursements incurred. The revised budget shall constitute the final allocation of UNCDF assistance to the project;

Regulation 18.06(b): The final UNCDF allocation to a project made under the provisions of regulation 18.06(a) above shall remain available for the period of time required to discharge any outstanding commitments of the project. When all commitments against the final allocation have been discharged, any balance shall revert to the UNCDF account and shall be classified as miscellaneous revenue.

Chapter F: Utilization of resources by UNDP

Article 20: General framework

Regulation 20.01: Commitments and disbursements for the current year and commitments for future years in respect to programme activities shall be incurred only after issuance of the corresponding annual disbursement authorization as provided under regulation 18.02, and in respect to the institutional budget only after the appropriate authorization has been made in writing under the authority of the Administrator.

Chapter G: Administration of resources

Article 25: Cash management

Regulation 25.04: Notwithstanding the provisions of regulation 25.03 above, and within limits and under terms established by the Executive Board, funds may be placed in the form of participation in development loans by international or regional development banks;

Regulation 25.06: The specific advance approval of the Executive Board shall be required for the placement of surplus funds in any loan not clearly authorized under the provisions of this article.

Article 27: Definitions

Regulation 27.01(a): "UNCDF" shall mean the United Nations Capital Development Fund established by resolution 2186 (XXI) of the United Nations General Assembly;

Regulation 27.01(i): "cooperating agency" shall mean an entity authorized by UNCDF to assist a recipient Government in the implementation of one or more components of a project financed by UNCDF;

Regulation 27.01: "disbursing agent" shall mean an entity authorized by UNCDF to disburse UNCDF project funds and may be a recipient Government, UNDP, an executing entity, or, under the harmonized operational modalities, an implementing partner or a cooperating agency.

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Financial, budgetary and administrative matters

Revision of the UNDP financial regulations and rules

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the draft report of the Administrator of UNDP on the proposed amendments to the UNDP Financial Regulations and Rules (FRR). During its consideration of these proposals, the Advisory Committee met with representatives of the Administrator who provided additional information and clarification.

II. Background

2. The Advisory Committee was informed that UNDP would be presenting amended Financial Regulations for approval and Financial Rules for information, to its Executive Board at its second regular session in September 2011. The proposed amendments are summarized in DP/2011/36. The primary reasons for the proposed amendments are explained in the paragraphs below.

3. *International Public Sector Accounting Standards (IPSAS).* The General Assembly, through its resolution 60/283 of July 2006, decided to approve the adoption by the United Nations of the International Public Sector Accounting Standards to replace the United Nations System Accounting Standards (UNSAS). The resolution was endorsed by UNDP Executive Board in its decision 2007/10. The existing UNDP Financial Regulations and Rules are based on UNSAS. The amendments are therefore proposed to align UNDP Financial Regulations and Rules with IPSAS. Under IPSAS, UNDP will change from a modified accrual method of accounting to a full accrual method of accounting, with the expected benefit of improved transparency, accountability and comparability.

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4. *Cost classification and results-based budgeting.* The Executive Boards of UNDP, UNFPA and the United Nations Children's Fund (UNICEF) in decisions 2009/22, 2009/26 and 2009/20, respectively, requested the three organizations to work together for greater harmonization and improvement in the presentation of the biennial support budget, 2012-2013, as well as work towards the presentation of a single, integrated budget for each organization beginning in 2014. The Advisory Committee notes that, in order to identify best practices, the three organizations undertook a review of existing cost definitions and classification of activities and associated costs, as well as results-based budgeting models and methodologies of selected United Nations organizations and bilateral donors. The exercise culminated in joint proposals that were presented to the Executive Boards in a report entitled "Road map to an integrated budget: cost classification and results-based budgeting". This approach was approved by the Executive Boards of the respective organizations in decisions 2010/32 (UNDP and UNFPA) and 2010/20 (UNICEF). It is indicated that the resulting changes will therefore require an update of the terminology in the corresponding articles of the Financial Regulations and Rules.

5. *Revision of the United Nations Capital Development Fund (UNCDF) annex.* The UNCDF annex to the UNDP Financial Regulations and Rules has been updated to reflect IPSAS related changes and the new cost classifications, as well as being updated to align it with the current UNDP Financial Regulations and Rules.

6. According to the representatives of the Administrator, other changes are also required to bring the UNDP Financial Regulations and Rules up to date. They contain terminology that requires updating to reflect UNDP Executive Board decisions and updated regulations and rules on internal audit, current organizational structures and current business practices of UNDP. In addition, editorial changes have been made, where necessary, for clarity and consistency.

7. The Advisory Committee was informed that, in the interest of achieving greater harmonization with the other United Nations funds and programmes, the amendments were discussed and the principles agreed to with the United Nations Secretariat, UNFPA and UNICEF. Consultations were also held with the United Nations Board of Auditors, the UNDP Audit Advisory Committee, the United Nations Office of Legal Affairs (OLA) and the UNDP Office of Audit and Investigations. The comments of OLA are discussed further in paragraphs 8 to 10 of the present report. The Advisory Committee commends UNDP for pursuing wide consultations with the relevant entities throughout this process.

8. Upon enquiry, the Committee was provided with information showing both general and specific comments from OLA on the proposed amendments to the UNDP Financial Regulations and Rules. In its general comments, the OLA points out that the term "encumbrance" is normally understood to mean a firm liability or right, rather than an anticipated or conditional liability, as defined under Regulation 27.02 of the proposed amendments to the Financial Regulations and Rules. The Administrator, in her response, explains that this term is used in the specific context of UNDP Financial Regulations and Rules, rather than in the general legal context.

9. With regard to the use of the term "personnel", the OLA suggests its replacement with "staff members" or "officials" as agreed in the comptrollers group meetings on the harmonization of Financial Regulations and Rules. In her response, the Administrator explains that the term will nonetheless be

maintained in the UNDP Financial Regulations and Rules for the time being, in the interest of maintaining and highlighting the source and basis for accountability for non-staff personnel. Upon enquiry, the Advisory Committee was informed by the representatives of the Administrator that OLA had expressed appreciation for the feedback provided by the Administrator and had no further comment.

10. The Advisory Committee emphasizes the importance of consulting OLA to ensure overall consistency in the interpretation of terms and definitions included in the amendments. The Committee trusts that OLA's comments and suggestions will continue to be reflected in any proposed amendments.

III. International Public Sector Accounting Standards (IPSAS)

11. As explained in the report of the Administrator, IPSAS are full accrual based accounting standards which measure the financial performance and position of an entity by recognizing transactions when they occur, regardless of cash transfers. The current UNDP Financial Regulations and Rules are based on UNSAS which is a modified accrual accounting method, with elements of both accrual and cash basis accounting. The Committee was provided with information showing the main categories and reasons for the proposed amendments. The amended Regulation 26.01 now requires that all financial reporting be guided by IPSAS, hence the replacement of all UNSAS terms and references with IPSAS compliant terms. In that regard, the term "funds" has been replaced with "financial resources" except when it refers to cash or its equivalent. The concept of "period" has been modified, and all uses of the word have been reviewed and replaced with "budget period" or "financial period" or "programme period". The words "biennial" and "biennium" have been deleted; and, in keeping with IPSAS, the term "financial period" in the Financial Regulations and Rules will always refer to a 12-month period (Regulation 26.05). The term "income", which, under UNSAS, represented cash received on a cash basis or contributions accrued, has been replaced with the IPSAS term "revenue", which represents an enforceable right to receive an asset. The UNSAS concept of "expenditure", which represents the sum of disbursements and unliquidated obligations, has been replaced with the IPSAS term "expense", which represents disbursements, accruals for goods and services received, or the use or impairment of assets. The concept of "obligations" used under UNSAS is now included in the IPSAS term "commitments".

12. The Administrator further explains that under UNSAS, non-expendable equipment refers to physical assets, which are expensed at the time of acquisition. Under IPSAS, physical assets are referred to as property, plant and equipment (PPE), and are capitalized and expensed over the period of their useful life using an appropriate depreciation method.

13. The Advisory Committee notes that the IPSAS Board continues to revise existing standards and to issue new standards to meet emerging needs. It can therefore be expected that additions and amendments will be a permanent feature of the IPSAS environment. The Advisory Committee trusts that UNDP will establish the necessary mechanisms to ensure that its Financial Regulations and Rules remain in compliance with IPSAS, and remain harmonized with those of other United Nations funds and programmes. Considering that the International Public Sector Accounting Standards are principle-based, and do not provide detailed guidelines for their interpretation and application, the Committee expects that the harmonization efforts will be

extended to the formulation of detailed operating guidelines in areas such as depreciation methods and internal audit rules. The Committee further expects that the lessons learned by UNDP will be documented and shared with other organizations.

IV. Cost classification categories and definitions

14. The Advisory Committee was provided with information showing the cost classification approved by the Executive Boards of UNDP, UNFPA and UNICEF. The categories are:

(a) Development Activities: Costs associated with "programmes" and "development effectiveness" activities that contribute to the effective delivery of development results:

(i) Programmes: activities and associated costs traced to specific programme components or projects, which contribute to delivery of development results contained in country/regional/global programme documents or other programming arrangements.

(ii) Development Effectiveness: the costs of activities of a policy-advisory, technical and implementation nature that are needed for achievement of the objectives of programmes and projects in the focus areas of the organizations.

(b) United Nations Development Coordination: Activities and associated costs supporting the coordination of development activities of the United Nations system.

(c) Management: Activities and associated costs whose primary function is the promotion of the identity, direction and well-being of an organization. These include executive direction, representation, external relations and partnerships, corporate communications, legal, oversight, audit, corporate evaluation, information technology, finance, administration, security and human resources.

(d) Special purpose: Costs of a cross-cutting nature that involve material capital investments, or do not represent a cost related to the management activities of the organization. The Advisory Committee notes that the joint report of UNDP, UNFPA and UNICEF (DP-FPA/2010/1-E/ICEF/2010/AB/L.10) included General Assembly mandated activities in this category. Upon enquiry, the Advisory Committee was informed that the UNDP Executive Board, in its decision 2010/32, decided not to include General Assembly mandated activities in this category because they would be better classified under other categories.

15. The Advisory Committee notes that while cost classification categorizations among the organizations have largely been harmonized, some differences remain, primarily due to the different business models and mandates of the organizations. The Committee expects that further review and consultations will continue in this regard.

16. Subject to its comments expressed in the preceding paragraphs, the Advisory Committee has no objection to the Executive Board's approval of the proposed amendments to the UNDP Financial Regulations and Rules.